



# House of Representatives

## File No. 761

General Assembly

February Session, 2008

**(Reprint of File No. 112)**

House Bill No. 5513

As Amended by House Amendment Schedule  
"A"

Approved by the Legislative Commissioner  
May 1, 2008

### **AN ACT CONCERNING THE RIGHT OF RECOVERY BY THE CONNECTICUT INSURANCE GUARANTY ASSOCIATION.**

Be it enacted by the Senate and House of Representatives in General  
Assembly convened:

1 Section 1. Subdivision (4) of section 38a-844 of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective from*  
3 *passage*):

4 (4) [The] (A) Except as provided in subparagraph (B) of this  
5 subdivision, the association shall have the right to recover from the  
6 following persons the amount of any covered claim paid on behalf of  
7 such person pursuant to sections 38a-836 to 38a-853, inclusive: [(A)] (i)  
8 Any person who is an affiliate of the insolvent insurer and whose  
9 liability obligations to other persons are satisfied in whole or in part by  
10 payments made under this chapter; and [(B)] (ii) any insured whose  
11 net worth on December thirty-first of the year next preceding the date  
12 the insurer becomes an insolvent insurer exceeds fifty million dollars  
13 and whose liability obligations to other persons are satisfied in whole  
14 or in part by payments made under said sections. For purposes of this  
15 subdivision, "insured" does not include a municipality, as defined in

16 section 7-148 of the 2008 supplement to the general statutes, or the  
17 Second Injury Fund, established in section 31-354.

18 (B) The association shall have no right to recover pursuant to  
19 subparagraph (A) of this subdivision from any nonprofit corporation  
20 organized to deliver health services and social services to meet the  
21 needs of the elderly, that is incorporated in this state and qualified as a  
22 Section 501(c)(3) organization under the Internal Revenue Code of  
23 1986, or any subsequent corresponding internal revenue code of the  
24 United States, as amended from time to time, for any amount of  
25 covered claims paid on behalf of such corporation on or after  
26 December 1, 2001, provided the insolvent insurer was declared  
27 insolvent prior to the effective date of this section. Any amounts  
28 recovered by the association prior to the effective date of this section  
29 from any such nonprofit corporation or affiliate of such nonprofit  
30 corporation shall not be required to be reimbursed to such nonprofit  
31 corporation or affiliate of such nonprofit corporation.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	38a-844(4)
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The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

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**OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** None

**Explanation**

This bill has no fiscal impact for the Department of Insurance.

Under current law, the Connecticut Insurance Guaranty Association has a statutory obligation to recover amounts it paid on behalf of an insolvent insurer's (1) affiliates and (2) insureds whose net worth exceeds \$50 million. The bill specifies that a non-profit nursing home facility is not an insured, and, therefore, would not have to repay the Connecticut Insurance Guaranty Association.

House "A" eliminates a provision of the underlying bill that would have increased the insureds' net worth amount to \$100 million. It also makes technical changes to the underlying bill that would not result in a fiscal impact.

**The Out Years**

**State Impact:** None

**Municipal Impact:** None

**OLR Bill Analysis****HB 5513 (as amended by House "A")\******AN ACT CONCERNING THE RIGHT OF RECOVERY BY THE CONNECTICUT INSURANCE GUARANTY ASSOCIATION.*****SUMMARY:**

The law grants the Connecticut Insurance Guaranty Association (CIGA) a statutory right to recover, from an insolvent insurer's (1) affiliates and (2) insureds whose net worth exceeds \$50 million, the amount of covered claims that CIGA paid on the affiliate's or insured's behalf. It specifies that municipalities and the Second Injury Fund are not insureds, thus exempting them from having to repay CIGA.

The bill removes CIGA's right to recover, from any nonprofit corporation that is (1) organized to deliver health and social services to the elderly, (2) incorporated in Connecticut, and (3) qualified as an IRS Code 501(c)(3) tax-exempt organization, any amount of covered claims that CIGA paid on or after December 1, 2001 on the nonprofit's behalf, if the insolvent insurer was declared insolvent before the bill's effective date. It specifies that CIGA is not required to refund any amounts that it has recovered from such a nonprofit, or its affiliates, before the bill's effective date.

\*House Amendment "A" restores the current law with respect to (1) an insured's net worth for purposes of determining when CIGA has a right to recovery, by replacing \$100 million with \$50 million, and (2) the definition of "insured," by eliminating the nursing home facility exclusion. It eliminates CIGA's right to recover additional funds from certain nonprofit corporations if the insolvent insurer involved was declared insolvent before the bill's effective date, which it changes from October 1, 2008 to upon passage.

EFFECTIVE DATE: Upon passage

**BACKGROUND*****Connecticut Insurance Guaranty Association***

The law requires CIGA to process and pay qualifying claims that state residents file against an insolvent insurance company. It is funded by assessments against insurers licensed to write property and casualty insurance in the state.

**COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable

Yea 18 Nay 0 (03/06/2008)